

Minutes of the Regular Work Session of the
Board of Mayor and Aldermen, City of Kingsport, Tennessee
Monday, April 5, 2010, 4:30 PM
Council Room – City Hall

PRESENT:

Board of Mayor and Aldermen

Mayor Dennis R. Phillips

Vice-Mayor Benjamin K. Mallicote

Alderman Charles K. Marsh, Jr.

Alderman Larry A. Munsey

Alderman Tom C. Parham

Alderman Jantry Shupe

City Administration

John G. Campbell, City Manager

J. Michael Billingsley, City Attorney

James H. Demming, City Recorder

1. **CALL TO ORDER:** 4:34 p.m., by Mayor Phillips.
2. **ROLL CALL:** By Deputy City Recorder Gilbert. Absent: Alderman Valerie Joh.
3. **WORK SESSION TICKLER.** Public Works Director Ryan McReynolds provided a status report on the many repaving projects currently being completed around the City and the additional milling and paving needed to repair certain areas before replacing the asphalt.

Alderman Marsh mentioned that many Board members have received phone calls regarding a situation involving the Kingsport Center for Higher Education (KCHE). Mr. Marsh inquired whether an advisory committee mentioned as part of a higher education consortium agreement had been formed and Mayor Phillips advised that the members appointed to that committee are himself, Keith Wilson, Charlie Floyd and Norris Sneed and pointed out that the committee is advisory in nature only and has no authority. The other agreement Mr. Marsh referred to was one for a three-year term between representatives of the five higher education institutions currently offering classes at the KCHE, which contract is completely independent of the City.

Board members discussed whether public input should be referred to advisory committee members; the process in place for institutions offering various areas of education and the limit, if any, to do so; Dr. Bill Locke's responsibilities as workforce development director; and the need to revisit some of these concerns at the end of the three-year contract term.

City Attorney Billingsley stated that the City is not a party to the three-year agreement. The City's commitment is based upon a lease agreement with Northeast State for the building.

Mayor Phillips offered to convene the advisory committee members to convey the public's concern over the current process of who can provide what classes and for how long and report back to this Board.

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Back to tickler issues, Alderman Marsh asked for an update on the proposed King College medical school. Mayor Phillips responded that there is a bill that would allow Sullivan County to sell \$50 million in bonds and, until that passes, nothing can be done. He stated that the bill includes Bristol, Tennessee, Kingsport and Sullivan County. Mayor Phillips questioned whether Kingsport wants to finance \$50 million in this facility if it is to be primarily located in Virginia and has asked King College president, Dr. Jordan, to provide this Board with further, up-to-date information to allow deliberation on the scope of the benefit to Kingsport if it invests in this project.

4. EDUCATION UPDATE. Mr. Keith Wilson, former NETWORKS chair and publisher of the Kingsport Times-News, came to ask the BMA to join with the Kingsport City Schools (KCS) Board of Education (BOE) and NETWORKS to jointly set goals and metrics to make KCS the best performing school system in the state. The project would be facilitated by long-time Kingsport resident, Mr. Nick Grabar, who would assist the BMA and BOE in the goal setting process, which may require additional KCS funding by the City.

Mr. Wilson provided background information on Kingsport's higher education offerings which began about 10 years ago under Mayor Jeannette Blazier and the need to continue to cultivate highly trained, highly skilled individuals that will meet the supply and demand of businesses and industries that are looking to grow or develop in the Tri-Cities area.

In response to an inquiry from Vice-Mayor Mallicote, Mr. Wilson said the BMA could ultimately make the final determination of what the metrics are but emphasized the importance of the BMA and the BOE striving toward a common goal and set of metrics, as well as acknowledging the importance of providing the BMA with a "business plan" on a regular basis to determine a valid return on any financial investment the City might make.

In further response to Alderman Munsey's question about budget timing, Mr. Wilson would like to see the standard set in 2010 and in 2011 which would not likely impact this year's KCS budget process and Mayor Phillips explained that the BMA only needs to indicate whether it is willing to join with the BOE in taking these goal-setting steps together and commit to take action in the future that may or may not involve money.

Alderman Marsh expressed concern over two issues dealing with the funding aspect, realizing that money is only a percentage of this issue, but explained that 1) City is already putting over \$9 million annually in the educational process and what is return on that money; and 2) if metrics come back with a price tag of so much money to accomplish and funding is approved and goals aren't reached, there is no way to justify the expenditure.

At this time, Mayor Phillips requested that the Board discussion be directed to agenda action Item VI.D. 5 to accommodate those in attendance for this consideration.

5. REVIEW OF AGENDA ITEMS ON APRIL 6, 2009 REGULAR BUSINESS AGENDA. City Manager Campbell, members of staff and community members provided a summary or presentation for each item on the proposed agenda. Those items the Board discussed at greater length or which received specific questions or concerns included:

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VI.D.5 Consideration of a Resolution Authorizing the Mayor to Amend Certain Terms to the Purchase Agreement with the Press Group, LLC and Authorizing the Mayor to Execute all Documents Necessary and Proper to Effectuate the Purpose of the Agreement (AF: 72-2010). City Manager Campbell provided the background and need to amend the prior purchase agreement approved in May of last year. He mentioned that KEDB (Kingsport Economic Development Board) will be involved with the transaction and the parties would like to close the purchase by the end of April and begin the development process in May. KEDB will negotiate and enter into a modified TIF agreement to contribute to the project.

Mr. Campbell explained that, under this arrangement, the Press Group will be investing around \$9 million to do exterior work and finish out 60,000 square feet for Mountain Region Family Medical who will lease a portion of the facility from the Press Group in a business ownership condo fashion. The total investment will be over \$25 million once the Group opts to finish out the additional 140,000 square foot portion. In response to an inquiry from Alderman Marsh about how much money the City will receive in this transaction, Mr. Campbell stated that the Press Group will pay the City around \$100,000 less expenses incurred, at closing, and an additional \$150,000 on a square foot basis as the Group sells off condo units. Ultimately, the City will receive around \$200,000, plus a \$9 million investment in the development which will be in a PILOT (payment in lieu of taxes) agreement for seven (7) years through KEDB.

Further, Mr. Campbell explained that the \$720,000 referenced in paragraph 11.M of the proposed real estate purchase agreement will be paid by KEDB through the modified TIF arrangement and confirmed that KEDB currently has around \$1 million in funds, having prepared to do this transaction nine months ago. The City Manager pointed out that the return to the City will come in the form of taxes – around \$194,000 per year in taxes on a \$25 million development; whereas, Quebecor paid around \$79,000 in real property tax and \$200,000 in personal property tax for the entire site.

Mr. Hiram Rash of Goins Rash Cain provided details on the development and the projected timeframe. He explained that delays in this project have occurred due to many factors, such as a change in the developer (from Mountain Region, originally, to the Press Group), economic impacts due to banking regulations and environmental issues with the site.

Alderman Munsey queried the City Manager about protecting the City's investment in the event this development does not take place and Mr. Campbell allayed Mr. Munsey's fears by explaining that, in addition to agreement conditions set out in paragraph 12 to address specific performance required after closing, KEDB's first payment of \$360,000 will not be made until fall of 2010, with another like payment to follow in spring of 2011, which timeframe will require a substantial investment by the developer by that time.

Vice-Mayor Mallicote pointed out that West Sullivan Street is woefully inadequate to accommodate this extensive development and Board members discussed how to address the needed street upgrade in a timely manner.

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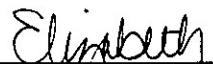
Mayor Phillips soundly commended this group for the fortitude shown in moving this project forward, despite all the obstacles and feels this is a reasonable investment on the City's part because of the added impact of increasing the area property values substantially.

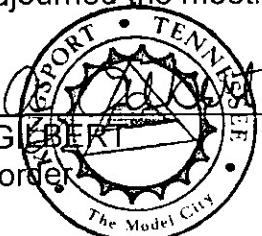
VI.D.4 Consideration of a Detailed Bond Resolution Authorizing the Issuance of Not to Exceed \$4,750,000 Water and Sewer System Revenue and Tax Refunding Bonds, Series 2010 of the City of Kingsport, Tennessee (AF: 94-2010). City Recorder Demming provided details about this requested bond refunding that will result in a substantial savings to the City by allowing repayment at a much lower rate. City financial adviser, Rick Delaney of Morgan Keegan, further explained that the bond's existing rate is 4.14% and rates are currently around 2.25% which will save several hundred thousand dollars. He mentioned, even though this is a small transaction, it is an opportunity to save money on the City's Water and Sewer System Revenue and Tax Bonds, Series 2002.

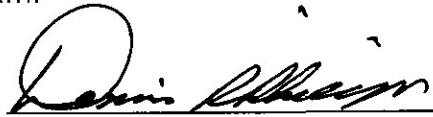
PUBLIC COMMENT. None.

BOARD COMMENT. Mayor Phillips shared that, during this evening's meeting, he had received a text message from Alderman Joh that her husband, Gale, has pneumonia, is septic and not expected to make it.

6. ADJOURN. Seeing no other matters presented for discussion at this work session, Mayor Phillips adjourned the meeting at 6:54 p.m.


ELIZABETH A. GILBERT
Deputy City Recorder




DENNIS R. PHILLIPS
Mayor